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C O N F I D E N T I A L SECTION 01 OF 04 TOKYO 001262

SIPDIS

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TAGS: [PREL](#) [ECON](#) [JA](#)

SUBJECT: THE DEPUTY SECRETARY'S STRATEGIC DIALOGUE WITH  
MOFA VFM YABUNAKA

Classified By: CDA JAMES P. ZUMWALT FOR REASONS 1.4 (B),(D)

11. (C) SUMMARY: The U.S.-Japan bilateral relationship remains the core to an approach on several regional and global issues, including security, engagement with China, and redesigning the East Asian architecture, Deputy Secretary Steinberg and Ministry of Foreign Affairs Vice-Foreign Minister Mitoji Yabunaka agreed in a Strategic Dialogue June 11. Yabunaka said the GOJ favors moving the U.S.-Japan economic dialogue toward a less formalized, two-tiered focus on coordinating mutual global interests and resolving key bilateral issues. Yabunaka also welcomed the recent close dialogue on nuclear deterrence and the response to North Korea, and the Deputy Secretary agreed on the need to move quickly to resolve Host Nation Support issues. The parties agreed on the need to engage China so that it will act transparently in its military modernization. The Deputy Secretary also urged Japan to avoid a business as usual approach with Iran and to cease providing export finance.  
END SUMMARY.

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THE BILATERAL RELATIONSHIP  
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12. (C) Yabunaka said the GOJ is "very encouraged" by the importance the Obama administration has placed on the U.S.-Japan alliance, explaining U.S. defense assurance is critical to securing Japan from several challenges such as Chinese military posturing and North Korean nuclear armament. While Japan's political opposition has signaled possible changes to the bilateral relationship in the event it wins this year's national elections, Yabunaka stressed the need to reiterate its importance to the general public. The Deputy Secretary agreed on the fundamental importance of the relationship and emphasized when there is strong mutual confidence between the US and Japan differences over specific issues do not become a test of the strength of overall relations.

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BEYOND THE EPG

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13. (C) Yabunaka also said the GOJ places great importance on a quarterly Deputy-level U.S.-Japan Strategic Dialogue and he looks forward to traveling to Washington in September or October. He also praised the ongoing dialogues on climate change and Iran and said the GOJ looks forward to establishing a similar relationship between MOFA Director General for Economic Affairs Suzuki and his counterpart. Suzuki said the U.S. and Japan should revise the Economic Partnership for Growth (EPG) to a smaller, less formal framework consisting of three or four senior officials on each side. Suzuki suggested the new framework would have two tracks, one devoted to common interests, such as engagement with China, energy security (including Russia), and APEC and the Asian regional architecture. The other track would focus on bilateral issues at the sub-cabinet level, reporting regularly to leaders. Suzuki said MOFA's Sherpa, Deputy Foreign Minister Yoichi Otabe, would head Japan's delegation, with the expectation that NSC Director G8 Sherpa Froman would be his counterpart. In addition, the group would include representatives from the Ministry of Economy, Trade and Industry, the Ministry of Finance, and possibly the Prime Ministers' office. Yabunaka added the GOJ hopes Foreign Minister Nakasone and Secretary Clinton might announce such a framework at their meeting on the margins of the upcoming G8 Foreign Ministers' meeting, with the formal launch coming at the G8 Leaders' Summit in July. The Deputy Secretary noted the USG Sherpa's leadership, as a White House official, would require interagency buy-in and that an announcement of

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whatever was decided at the G8 Leaders Summit in July may be more realistic.

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BEEF  
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14. (C) Yabunaka said the GOJ does not want to see the beef issue continue to be elevated to the leaders' level, arguing that Japan's current restrictions are not a protectionist measure. He said Japan's Food Safety Commission is undergoing a review of Japan's import ban, and the proposed change to accepting beef from cattle under 30 months of age would cover 80 to 90 percent of trade. The Deputy Secretary countered that the USG cannot accept any agreement that would undercut the argument with South Korea and that the U.S. continues to advocate for a policy based on science.

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REGIONAL ARCHITECTURE  
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15. (C) Yabunaka said making APEC an attractive forum to advance issues between countries with many diverse interests remains a challenge. The GOJ is exploring models for an East Asian regional architecture, such as the East Asian Summit (EAS) or the Asian Regional Forum (ARF) framework with the addition of Australia, New Zealand and India that would have a mandate to work on such issues as energy security and climate change. Yabunaka added Russia has expressed interest in joining the EAS as an Asian country, which Japan would oppose unless the U.S. also joined. The Deputy Secretary said the U.S. has a full stake in East Asian issues and is deliberating the most effective framework. He said APEC has some coherence for economic issues, but a different forum, be it EAS or ARF, may have more value to addressing security and transnational issues.

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U.S.-JAPAN SECURITY FRAMEWORK  
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16. (C) Yabunaka praised the close bilateral dialogues between defense and foreign affairs counterparts on nuclear

deterrence and the North Korean threat. Noting the different U.S. and Japan budget cycles, he stressed the urgency of concluding a basic agreement for funding Host Nation Support by the end of 2009 before the current agreement expires in 2011. The Deputy Secretary agreed on the need for early engagement, noting the USG has already begun its FY2011 budget formulation process.

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CHINA  
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17. (C) The Deputy Secretary said China's military modernization is an important mutual concern and he stressed continued engagement with China so that it will show greater transparency in its strategic intentions and military budget.

He added both the U.S. and Japan should avoid establishing their positions vis-a-vis China on the basis of worst case scenarios and the U.S.-Japan-China trilateral meeting would be helpful in demonstrating that U.S. engagement with China would not be to the detriment of Japan.

Yabunaka agreed on the value of the trilateral approach and expressed concern about the Chinese military's apparent autonomy from China's leadership, as evinced by Peoples Liberation Army Navy incursions in Japanese waters shortly before Premier Wen Jiabao's last visit to Japan.

18. (C) Yabunaka added Japan has concerns over Chinese

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activity in the East China Sea and the Senkaku Islands and has heard concern from Vietnam about Chinese assertiveness over the Spratley Islands. In addition, while Japan and China concluded an agreement over development of the East China Sea in the summer of 2008 and both countries leaders' consistently have reaffirmed the agreement, the issue remains too sensitive to some elements in China to progress to a treaty. Yabunaka also said China appears to have managed the economic consequences of the economic downturn well. Both sides agreed China continues to show little sign of changing its unreasonable posture towards Tibet and that Japan and the U.S. should closely monitor the situation.

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BURMA/ASEAN  
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19. (C) Yabunaka said he spoke with Burma's Defense Vice Foreign Minister May 31 and stressed that unless Burma holds inclusive elections and stops arbitrary legal actions against Aung San Suu Kyi it will not receive international support. The Deputy Secretary appreciated this stance and said the U.S. was also encouraged by China's signature on the U.N.'s most recent statement calling for release of political prisoners.

10. (C) The Deputy Secretary also raised the possibility of U.S.-Japan cooperation through the Mekong Delta initiative, including official development assistance (ODA) coordination.

Yabunaka said Vietnam is the largest recipient of Japanese foreign assistance and there is room for project coordination.

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INDIA  
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11. (C) The Deputy Secretary said the U.S. and Japan should engage India to take a meaningful role in global climate change negotiations. In addition, he stressed the need to impress upon India that it needs to be part of the solution to the situation in Pakistan. Yabunaka said Japan is fully committed to building infrastructure in and trade with India, and that its economic relations with India will continue to deepen.

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SRI LANKA  
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¶12. (C) The Deputy Secretary said Sri Lanka needed to handle properly refugee resettlement and political reconciliation. Yabunaka said the GOJ is also pressing Sri Lanka's leadership to use grant aid for displaced persons properly.

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AFGHANISTAN/PAKISTAN  
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¶13. (C) Yabunaka noted Japan's dispatch of four civilian aid experts to the Lithuanian PRT in Afghanistan and said Japan remains fully committed to capacity-building. The Deputy Secretary said Afghanistan is an urgent priority for the Obama administration and the next year will be crucial to gain traction. Yabunaka expressed concern over Pakistan's nuclear development and urged more preventive action to secure Pakistan's plan to halt further expansion of its nuclear program. The Deputy Secretary said the challenge is to secure long-term engagement with Pakistan and to avoid imposing conditions that undermine its cooperation.

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IRAN  
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¶14. (C) Yabunaka said Foreign Minister Nakasone pressed Iran on the need to freeze its nuclear activities during his early May visit to Tehran. The Deputy Secretary said the USG has expressed a willingness to engage Iran. However President Ahmadinejad has made unhelpful statements on the P5+1 discussions. The Deputy Secretary urged Japan to cease export credits to Iran to demonstrate that this is not the time for business as usual and that a freeze is a precondition for international engagement. Yabunaka questioned whether Japan was providing such credits and if they were undermining international efforts, particularly in light of similar funding from European countries, but said he was willing to examine the issue further. (Note: they continued this discussion over dinner; see septel. End note.)

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IAEA ELECTION/NUCLEAR DISARMAMENT  
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¶15. (C) Yabunaka thanked the Deputy Secretary for his personal efforts to gain support for Japan's candidate, Ambassador Yukio Amano, in the IAEA election. The Deputy Secretary said the USG continues to support Amano and is lobbying European Board Members and Mexico. Yabunaka also said Japan was encouraged by President Obama's nuclear disarmament speech and that Japan proposed to host a disarmament conference in 2010.

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UNSC REFORM  
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¶16. (C) Yabunaka said he understands the U.S. is still reviewing its position on U.N. Security Council Reform and Japan remains flexible in its approach, though he termed the U.K.-French five-year term-limit a "non-starter." He also said he was encouraged China's apparent shift toward not opposing Japan's membership.

¶17. (U) PARTICIPANTS:

United States:

Deputy Secretary James Steinberg

CDA James Zumwalt  
A/AS Glyn Davies  
Ambassador Jeffrey Bader  
Ambassador DeTrani  
D Special Assisitant Pamela Park  
Embassy Notetaker

Japan:

Vice Foreign Minister Mitoji Yabunaka  
MOFA DG, North American Affairs Bureau Kazuyoshi Umemoto  
MOFA DG, Economic Affairs Bureau Yoichi Suzuki  
MOFA DDG, North American Affairs Bureau Koji Haneda  
MOFA Director, Policy Coordination Division Takeo Mori  
MOFA Director, First North America Division Kanji Yamanouchi  
MOFA Notetaker

118. (U) The Deputy Secretary cleared this message.  
ZUMWALT